



Ivaco Industries Limited Annual Report 1976

Cover

Artist's conception of steelmaking and rolling wire rod at L'Orignal, Ontario:

- (i) pouring the molten steel;
- (ii) steel in billet form being cast on our four strand billet caster;
- (iii) enter rod mill roughing stands;
- (iv) leave "no-twist" rod mill at high speed;
- (v) wire rod coils ready for compacting

Five year financial summary

IN THOUSANDS EXCEPT AS INDICATED*

(Note 1)

EARNINGS

	1976	1975	1974	1973	1972
Net Sales	\$135,994	103,001	150,734	90,183	53,949
Depreciation	\$ 5,193	3,272	2,921	2,131	1,364
Provision for income taxes	\$ 1,604	1,742	16,537	5,780	4,146
Net earnings (Note 2)	\$ 5,449	4,539	20,438	8,084	4,618
Net earnings per common share (Note 2)	\$ 0.58*	0.48*	2.37*	0.98*	0.61*
Net earnings — percent of sales	4.0%	4.4%	13.6%	9.0%	8.6%

FINANCIAL POSITION

Current assets	\$100,635	88,629	76,777	44,048	35,263
Current liabilities	\$ 69,568	59,535	45,911	25,644	22,152
Working capital	\$ 31,067	29,094	30,866	18,404	13,111
Expenditure for plant and equipment	\$ 7,398	15,964	32,360	14,619	6,932
Long-term liabilities	\$ 32,186	33,484	29,846	18,558	14,737
Shareholders' equity	\$ 74,162	70,766	67,343	48,067	26,486

NOTES:

1. Representing on a retroactive basis the results of all subsidiaries excepting The Niagara Wire Weaving Company, Limited for which results are included from June 1, 1973 the date of consolidation.

2. Net earnings and net earnings per common share in 1975 are before including an extraordinary gain of \$880,000 or 10 cents per common share.

Where our products are manufactured

Steel Billets

Wire Rod

Wire

Oil Tempered Spring Wire

Galvanized Wire

Welded Wire Fabric

L'Orignal, Ontario

L'Orignal, Ontario

Dartmouth, Nova Scotia

Ingersoll, Ontario

Marieville, Quebec

Tonawanda, New York

Warrenton, Virginia

Tonawanda, New York

Marieville, Quebec

Ingersoll, Ontario

Tonawanda, New York

Warrenton, Virginia

Barbed Wire, Fencing and Fencing Products

Nails

Bolts, Nuts and Fastener Products

Precision Machined Components and Axles

Fourdrinier Fabric

Marieville, Quebec

Dartmouth, Nova Scotia

Marieville, Quebec

*Tonawanda, New York

Warrenton, Virginia

Ingersoll, Ontario

Marieville, Quebec

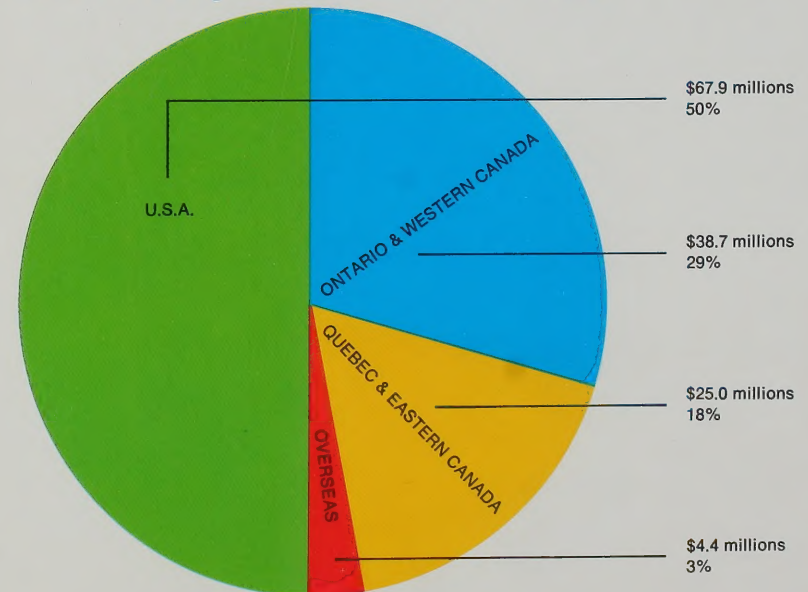
Ingersoll, Ontario

Quincy, Florida

Trois Rivières, Quebec

*Start up expected mid 1977

Where our products went in 1976



IVACO INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

Summarized Below Are The Unaudited Consolidated Results
For The Six Months Ended June 30, 1976

	Six Month Period Ended June 30		Three Month Period Ended June 30	
	1976	1975	1976	1975
Net sales	\$67,829,000	\$50,039,000	\$37,930,000	\$24,644,000
Cost and expenses exclusive of items listed below	57,777,000	41,519,000	32,497,000	21,745,000
Depreciation	2,537,000	1,752,000	1,285,000	876,000
Amortization	485,000	166,000	249,000	88,000
Interest on long-term liabilities	1,930,000	1,092,000	958,000	509,000
Interest on short-term borrowings	1,480,000	735,000	686,000	498,000
(Gain) Loss on disposal of fixed assets	(526,000)	(42,000)	136,000	24,000
	<u>63,683,000</u>	<u>45,222,000</u>	<u>35,811,000</u>	<u>23,740,000</u>
Investment income	541,000	615,000	191,000	196,000
	<u>63,142,000</u>	<u>44,607,000</u>	<u>35,620,000</u>	<u>23,544,000</u>
Earnings before income taxes and minority interests	4,687,000	5,432,000	2,310,000	1,100,000
Provision for income taxes	1,226,000	2,002,000	492,000	331,000
Minority interests	100,000	129,000	47,000	28,000
	<u>1,326,000</u>	<u>2,131,000</u>	<u>539,000</u>	<u>359,000</u>
Net earnings	<u>\$ 3,361,000</u>	<u>\$ 3,301,000</u>	<u>\$ 1,771,000</u>	<u>\$ 741,000</u>
Net earnings per common share	<u>\$0.36</u>	<u>\$0.36</u>	<u>\$0.19</u>	<u>\$0.08</u>

IVACO INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement Of Changes in Financial Position — Unaudited
For The Six Months Ended June 30, 1976

	1976	1975
WORKING CAPITAL, JANUARY 1	<u>\$29,094,000</u>	<u>\$30,866,000</u>
SOURCE OF FUNDS:		
Net earnings	3,361,000	3,301,000
Charges to earnings not requiring the current outlay of funds —		
Depreciation and amortization	3,022,000	1,918,000
Deferred income taxes	1,717,000	2,255,000
Gain on disposal of fixed assets	(526,000)	(42,000)
Funds from operations	<u>7,574,000</u>	<u>7,432,000</u>
Issue of capital stock —		
On conversion of preferred shares	275,000	29,000
Other	—	40,000
Increase in minority interest in subsidiary companies	83,000	118,000
Increase in long-term liabilities	—	6,425,000
	<u>7,932,000</u>	<u>14,044,000</u>
APPLICATION OF FUNDS:		
Addition to fixed assets	1,156,000	10,962,000
Decrease in long-term liabilities	1,608,000	—
Conversion of preferred shares into common shares	275,000	29,000
Dividends — preferred	136,000	142,000
— common	812,000	810,000
Other items	424,000	920,000
	<u>4,411,000</u>	<u>12,863,000</u>
INCREASE IN WORKING CAPITAL	3,521,000	1,181,000
WORKING CAPITAL, JUNE 30	<u>\$32,615,000</u>	<u>\$32,047,000</u>



Interim Report
to
Shareholders
for
the Six Months
ended
June 30, 1976

2

IVACO INDUSTRIES LIMITED
800 QUELLETTE STREET
MARIEVILLE, QUEBEC



**Rapport Intérimaire
aux
Actionnaires
pour
les six mois
se terminant
le 30 juin 1976**



LES INDUSTRIES IVACO LIMITÉE
800 RUE OUELLETTE
MARIEVILLE, QUÉBEC

**LES INDUSTRIES IVACO LIMITÉE
ET SES FILIALES**

Résumé des résultats consolidés non-vérifiés
pour la période de six mois terminée le 30 juin 1976

	Période de six mois terminée le 30 juin		Période de trois mois terminée le 30 juin	
	1976	1975	1976	1975
Ventes nettes	\$67,829,000	\$50,039,000	\$37,930,000	\$24,644,000
Coûts et frais à l'exclusion des postes ci-dessous	57,777,000	41,519,000	32,497,000	21,745,000
Amortissements des immobilisations	2,537,000	1,752,000	1,285,000	876,000
Autres amortissements	485,000	166,000	249,000	88,000
Intérêt sur dettes à long terme	1,930,000	1,092,000	958,000	509,000
Intérêt sur les emprunts à court terme	1,480,000	735,000	686,000	498,000
(Gain) perte sur réalisation d'immobilisations	(526,000)	(42,000)	136,000	24,000
	<u>63,683,000</u>	<u>45,222,000</u>	<u>35,811,000</u>	<u>23,740,000</u>
Revenu des placements	541,000	615,000	191,000	196,000
	<u>63,142,000</u>	<u>44,607,000</u>	<u>35,620,000</u>	<u>23,544,000</u>
Bénéfices avant impôts sur le revenu et intérêts minoritaires	4,687,000	5,432,000	2,310,000	1,100,000
Provision pour impôts sur le revenu	1,226,000	2,002,000	492,000	331,000
Intérêts minoritaires dans des filiales	100,000	129,000	47,000	28,000
	<u>1,326,000</u>	<u>2,131,000</u>	<u>539,000</u>	<u>359,000</u>
Bénéfice net	<u>\$ 3,361,000</u>	<u>\$ 3,301,000</u>	<u>\$ 1,771,000</u>	<u>\$ 741,000</u>
Bénéfice net par action ordinaire	<u>\$0.36</u>	<u>\$0.36</u>	<u>\$0.19</u>	<u>\$0.08</u>

**LES INDUSTRIES IVACO LIMITÉE
ET SES FILIALES**

État consolidé de l'évolution de la situation financière — non-vérifié
pour la période de six mois terminée le 30 juin 1976

	1976	1975
FONDS DE ROULEMENT AU 1er JANVIER	\$29,094,000	\$30,866,000
PROVENANCE DES FONDS:		
Bénéfice net	3,361,000	3,301,000
Dépenses n'entraînant pas de sortie de fonds —		
Amortissements	3,022,000	1,918,000
Impôts sur le revenu reportés	1,717,000	2,255,000
Gain sur aliénation d'immobilisations	(526,000)	(42,000)
Fonds provenant de l'exploitation	<u>7,574,000</u>	<u>7,432,000</u>
Émission d'actions ordinaires —		
Lors de la conversion d'actions privilégiées	275,000	29,000
Autres	—	40,000
Augmentation des intérêts minoritaires dans les filiales	83,000	118,000
Augmentation de la dette à long terme	—	6,425,000
	<u>7,932,000</u>	<u>14,044,000</u>
UTILISATION DES FONDS:		
Nouvelles immobilisations	1,156,000	10,962,000
Diminution de la dette à long terme	1,608,000	—
Conversion d'actions privilégiées en actions ordinaires	275,000	29,000
Dividendes — actions privilégiées	136,000	142,000
— actions ordinaires	812,000	810,000
Autres éléments	<u>424,000</u>	<u>920,000</u>
	<u>4,411,000</u>	<u>12,863,000</u>
AUGMENTATION DU FONDS DE ROULEMENT	<u>3,521,000</u>	<u>1,181,000</u>
FONDS DE ROULEMENT AU 30 JUIN	<u>\$32,615,000</u>	<u>\$32,047,000</u>

Financial Highlights

	1976	1975
	(in thousands)	(in thousands)
SALES	\$135,994	\$103,001
NET EARNINGS	\$ 5,449	\$ 4,539*
NET EARNINGS PER COMMON SHARE	\$ 0.58	\$ 0.48*
EXPENDITURE FOR PLANT AND EQUIPMENT	\$ 7,398	\$ 15,964

*Net earnings and net earnings per common share in 1975 are before including an extraordinary gain of \$880,000 or 10 cents per common share.

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Officers

ISIN IVANIER,
Chairman

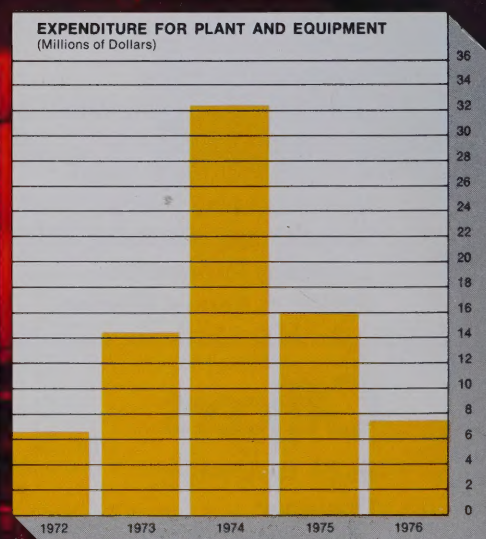
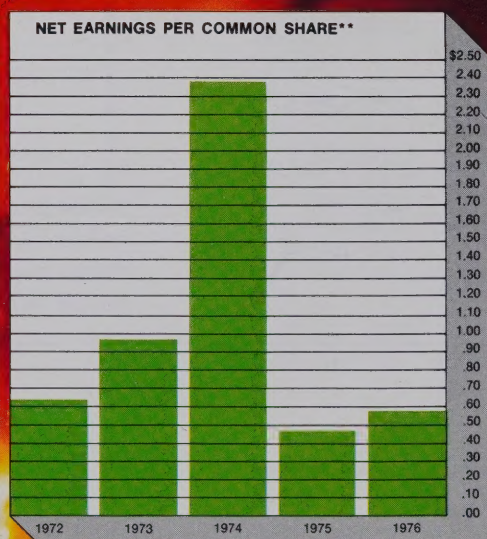
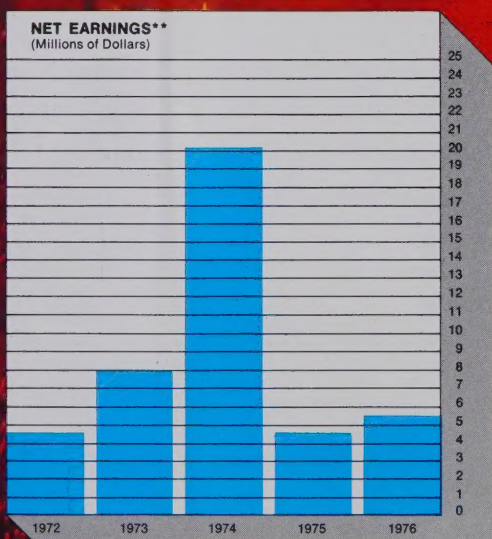
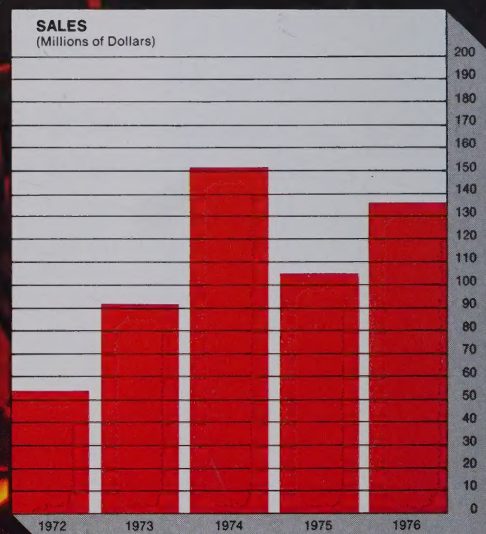
PAUL IVANIER,
President

SYDNEY IVANIER,
Vice-President

MICHAEL HERLING,
Vice-President and Secretary

JACK KLEIN,
Vice-President

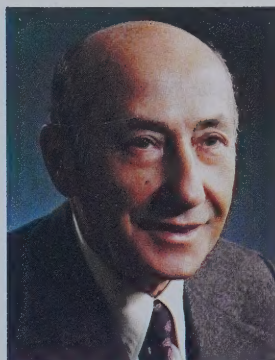
Growth at a glance*



*Representing on a retroactive basis the results of all subsidiaries excepting The Niagara Wire Weaving Company, Limited for which results are included from date of consolidation, June 1, 1973.

**Net earnings and net earnings per common share in 1975 are before including an extraordinary gain of \$880,000 or 10 cents per common share.

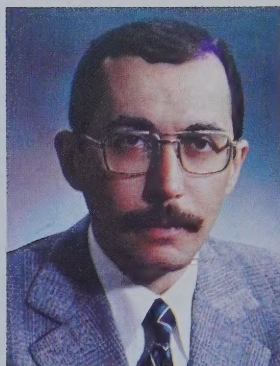
Board of Directors



ISIN IVANIER,
Chairman,
Ivaco Industries Limited



PAUL IVANIER,
President,
Ivaco Industries Limited



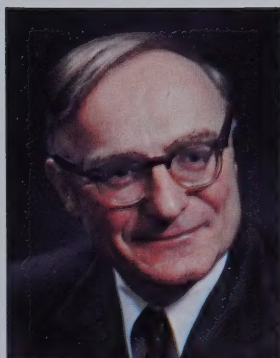
SYDNEY IVANIER,
Vice-President,
Ivaco Industries Limited



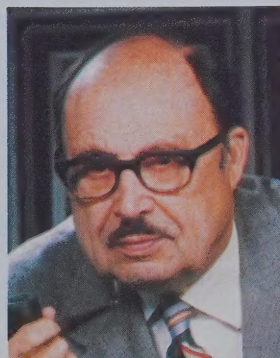
MICHAEL HERLING,
Vice-President
and Secretary,
Ivaco Industries Limited



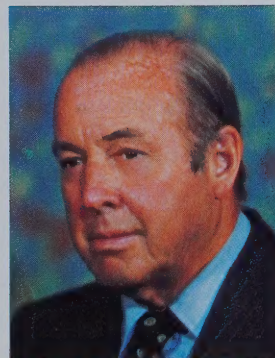
JACK KLEIN,
Vice-President,
Ivaco Industries Limited



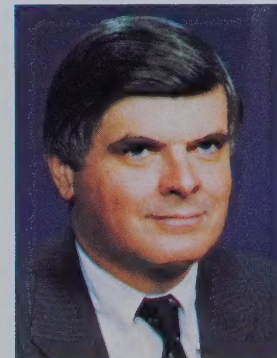
JOHN LOVERIDGE,
President,
Ingersoll Machine and
Tool Company, Limited



EDWARD J. BUELL,
Chairman,
The Niagara Wire
Weaving Company, Limited



ALAN S. GORDON,
Consultant,
Merrill, Lynch,
Royal Securities Ltd.



H. B. MCNALLY, Q.C.
Partner
Byers, Casgrain,
McNally, Dingle,
Benn & Lefebvre

To our Shareholders



ISIN IVANIER,
Chairman,
Ivaco Industries Limited



PAUL IVANIER,
President,
Ivaco Industries Limited

April 1, 1977

During 1976 your Company recorded improved results and made substantial progress toward more realistic levels for sales and earnings for 1977 and the years ahead. This improvement was due principally to an increase in demand in several of the Company's major markets and increased productivity at our steelmaking complex at L'Orignal, Ontario.

The 1976 results in brief were:

- Sales increased to \$136 million from \$103 million in 1975.
- Net earnings were \$5,449,000 up from \$4,539,000 (before an extraordinary gain of \$880,000) in 1975.
- Net earnings per common share were 58 cents compared with 48 cents (before an extraordinary gain of 10 cents) in 1975.
- Working capital increased by \$1,973,000 to \$31,067,000 despite net additions of \$7,398,000 to fixed assets during the year.

At L'Orignal, Ontario both steelmaking and rolling mill operations reached and maintained high levels of production and product quality. This enabled us to become more self-sufficient than ever before, while at the same time reducing costs because of higher efficiency. Your Company now is able to produce a significant portion of its steel billet requirements. In addition to supplying our own requirements, we are also now selling substantial quantities of wire rods to users primarily in Canada and in the United States. This allows for the maintenance of increased production at the rolling mill and provides the usual

benefits associated with economies of scale.

At the end of 1976 the Company's inventories were higher than at the end of the previous year. This was due principally to increased levels of scrap and steel billet inventories required to support the greater production of the steel complex and also to provide increased inventories at our various locations to support the higher levels of sales which we anticipated and experienced during the first quarter of 1977.

1976 saw the successful completion of several capital addition projects, some of which were started in 1975. They included:

- a second electric furnace at the Eastern Steelcasting facility in L'Orignal, Ontario.
- completion of a second oil tempering spring wire line at New York Wire Mills in Tonawanda, New York.
- installation of a nail production line at our Virginia Wire & Fabric plant in Warrenton, Virginia.

— expansion of fastener production facilities at Industrial Fasteners in Mariville, Quebec.

Looking to 1977 we are able to see a strengthening in demand for our products. Sales for the first quarter were substantially greater than they were in the corresponding period of 1976 and it is expected that this trend will continue throughout the year.

Our expansion plans for 1977 include:

- the completion and start-up, by mid-year, of a nail manufacturing facility at the New York Wire Mills plant in Tonawanda, New York.

— expansion of wire drawing capacity at the Sivaco Ontario plant in Ingersoll, Ontario.

— expansion of annealing capacity at the Sivaco Wire & Nail plant in Marieville, Quebec.

— enlargement of the billet reheat furnace at Ivaco Rolling Mills in L'Orignal, Ontario which will allow increased billet length from 32 feet to 42 feet so that the weight of individual wire rod coils will increase to approximately 2,300 pounds from the present 1,700 pounds. As a result there will be significant improvement in productivity and related economies of scale at our steel complex at L'Orignal, Ontario. Completion of this project is expected during the fourth quarter.

1977 will see the continuance of wide acceptance for the Niagara Wire Weaving division's synthetic Fourdrinier fabric. During 1976, Niagara Wire Weaving completed conversion of its manufacturing facilities so that it now produces synthetic fabrics as its principal product. As a result of this successful conversion, and along with the improved business conditions which are expected in the paper industry, particularly in the United States, the Fourdrinier division anticipates satisfactory operating results this year.

In Canada your Company is subject to the Anti-Inflation legislation which came into effect on October 14, 1975. This legislation has placed a severe strain on the human resources of the Company in complying with the filing requirements and has made it difficult for our Canadian companies to obtain more realistic prices for our products.

We have complied with the requirements of the legislation and we will continue to support the controls as long as they are a temporary measure to help reduce the rate of inflation in Canada. Under the restrictions of the legislation there is little encouragement for a company to increase its profit margins by improving the productivity and efficiency of its operations. While controls have been instrumental in accomplishing some moderation in the rate of inflation we are of the opinion that they should be removed as soon as practicable. Their timely removal is essential to the growth of the Canadian economy.

During February of 1977, Isin Ivanier, founder of the Company became Chairman. He was succeeded as President by Paul Ivanier who was formerly Executive Vice-President. Your Company's philosophy will continue to be directed towards growth.

The year just past, while difficult, was a satisfactory one in many respects. It was a year to challenge the skill, dedication and loyalty of your Company's 2,500 employees, whose positive response is hereby acknowledged with appreciation. We would also like to express our sincere appreciation to all our customers for their continued support.

The outlook for 1977 is for continued improvement in sales and earnings. Early first quarter activity was substantially stronger than for the comparable period of 1976 and continued stronger demand is forecast for the balance of the year, particularly in the United States.

Respectfully submitted on behalf of the Board of Directors.

PAUL IVANIER
President

ISIN IVANIER
Chairman

Consolidated statement of earnings

for the year ended
December 31, 1976

	1976	1975
	(in thousands)	(in thousands)
Net sales	<u>\$135,994</u>	<u>\$103,001</u>
Costs and expenses exclusive of items listed below	<u>116,973</u>	<u>90,359</u>
Depreciation	5,193	3,272
Amortization	885	341
Interest on long-term liabilities	3,626	2,654
Interest on short-term borrowings	3,564	1,433
Gain on disposal of fixed assets	(557)	(208)
	<u>129,684</u>	<u>97,851</u>
Investment income	<u>868</u>	<u>1,238</u>
	<u>128,816</u>	<u>96,613</u>
Earnings before income taxes	<u>7,178</u>	<u>6,388</u>
Provision for income taxes:		
Current	(484)	(3,943)
Deferred	2,088	5,685
	<u>1,604</u>	<u>1,742</u>
Net earnings before minority interests	<u>5,574</u>	<u>4,646</u>
Minority interests	<u>125</u>	<u>107</u>
Earnings before extraordinary item	<u>5,449</u>	<u>4,539</u>
Extraordinary item	<u>—</u>	<u>880</u>
Net earnings	<u>\$ 5,449</u>	<u>\$ 5,419</u>
Net earnings per common share:		
Before extraordinary item	\$0.58	\$0.48
Extraordinary item	<u>—</u>	<u>0.10</u>
	<u>\$0.58</u>	<u>\$0.58</u>

Consolidated statement of changes in financial position

for the year ended
December 31, 1976

	1976 (in thousands)	1975 (in thousands)
WORKING CAPITAL, JANUARY 1	<u>\$29,094</u>	<u>\$30,866</u>
SOURCE OF FUNDS		
Earnings before extraordinary item	5,449	4,539
Charges to earnings not requiring the current outlay of funds		
Minority interests	53	88
Depreciation and amortization	6,078	3,613
Deferred income taxes	1,971	5,530
Gain on disposal of fixed assets	(557)	(208)
Funds from operations	<u>12,994</u>	<u>13,562</u>
Issue of capital stock		
On conversion of preferred shares	663	29
Other	—	40
Net increase in long-term liabilities	—	3,638
Net proceeds on sale of investment	—	2,259
	<u>13,657</u>	<u>19,528</u>
APPLICATION OF FUNDS		
Net additions to fixed assets	7,398	15,964
Increase in mortgage receivable	258	205
Net decrease in long-term liabilities	1,298	—
Conversion of preferred shares into common shares	663	29
Dividends — preferred	262	281
— common	1,629	1,622
Increase in deferred pre-production costs	116	2,946
Other items	60	253
	<u>11,684</u>	<u>21,300</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>1,973</u>	<u>(1,772)</u>
WORKING CAPITAL, DECEMBER 31	<u>\$31,067</u>	<u>\$29,094</u>

Assets

	1976 (in thousands)	1975 (in thousands)
CURRENT:		
Cash and certificates of deposit	\$ 1,175	\$ 2,145
Marketable securities (market value 1976 — \$4,844; 1975 — \$7,638)	5,554	6,122
Accounts receivable	19,858	17,096
Income taxes recoverable	832	3,910
Inventories (Note 2)	72,732	58,972
Prepaid expenses	484	384
	<u>100,635</u>	<u>88,629</u>
Income tax reductions applicable to future years	<u>2,492</u>	<u>1,165</u>
FIXED:		
Land	1,010	1,223
Buildings	21,412	21,650
Machinery and equipment	93,386	85,687
	<u>115,808</u>	<u>108,560</u>
Less: Accumulated depreciation	<u>23,986</u>	<u>19,566</u>
	<u>91,822</u>	<u>88,994</u>
Construction in progress	528	594
	<u>92,350</u>	<u>89,588</u>
OTHER ASSETS:		
Mortgage and notes receivable	1,063	805
Cost of investments in subsidiary companies in excess of net assets at dates of acquisition, less amortization	3,458	3,558
	<u>3,457</u>	<u>4,228</u>
Sundry assets (Note 3)	7,978	8,591
	<u>\$203,455</u>	<u>\$187,973</u>
ON BEHALF OF THE BOARD:		
ISIN IVANIER, Director		
PAUL IVANIER, Director		

Balance sheet

December 31, 1976

Liabilities

CURRENT:

Bank indebtedness — partly secured
Accounts payable and accrued liabilities
Trade
Directors
Dividends
Current portion of long-term liabilities
Current portion of deferred income taxes

LONG-TERM LIABILITIES (Note 4)

DEFERRED INCOME TAXES

MINORITY INTERESTS:

Preferred shares
Common share equity

Shareholders' equity

CAPITAL STOCK (Note 5)

CONTRIBUTED SURPLUS

RETAINED EARNINGS

1976

(in thousands)

\$ 38,578

23,327

7

60

6,787

809

69,568

32,186

24,711

91

2,737

2,828

24,169

2,531

47,462

74,162

\$203,455

1975

(in thousands)

\$ 29,741

22,940

541

71

5,550

692

59,535

33,484

21,413

137

2,638

2,775

24,169

2,531

44,066

70,766

\$187,973

Consolidated statement of retained earnings

for the year ended
December 31, 1976

	1976 (in thousands)	1975 (in thousands)
Balance, January 1	\$44,066	\$40,714
Add: Net earnings	<u>5,449</u>	<u>5,419</u>
	49,515	46,133
Deduct:		
Dividends — preferred	262	281
— common	1,629	1,622
Tax paid to create tax-paid undistributed surplus	<u>162</u>	<u>164</u>
	2,053	2,067
Balance, December 31	<u>\$47,462</u>	<u>\$44,066</u>

Consolidated statement of contributed surplus

for the year ended
December 31, 1976

	1976 (in thousands)	1975 (in thousands)
Balance, January 1	\$ 2,531	\$ 2,500
Add: Government grants on account of capital expenditures	<u>—</u>	<u>31</u>
Balance, December 31	<u>\$ 2,531</u>	<u>\$ 2,531</u>

Notes to consolidated financial statements

December 31, 1976

1. Summary of Significant Accounting Policies

The Company follows generally accepted accounting principles in the preparation of its consolidated financial statements and their application is consistent with that of the preceding year.

Basis of Consolidation

Ivaco Industries Limited is incorporated under the laws of Canada. These consolidated financial statements include the accounts of all subsidiary companies, with provision for the interests of minority shareholders. The cost of the investments in subsidiary companies in excess of the net assets at the dates of acquisition is being amortized on a straight-line basis over a 40 year period. All material inter-company transactions have been eliminated.

Foreign Exchange

Assets and liabilities in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for working capital items and at approximate exchange rates prevailing at the transaction dates for non-current assets and liabilities. Income and expenses other than depreciation are translated at average exchange rates prevailing during the year; depreciation is translated at historic exchange rates.

Marketable Securities

Marketable securities are valued at cost and when they are sold, the resulting gain or loss is included in net earnings.

Inventory Valuation

Inventories are carried at the lower of cost and net realizable value. Adequate provision is made for slow-moving and obsolete inventories.

Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation, based on the useful life of the assets, is computed on the straight-line method by application of rates varying from 2½ % to 30% on individual classes of tangible depreciable property.

When fixed assets are disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in net earnings.

Deferred Pre-Production Costs

Certain costs relating to the start-up of new facilities or major plant additions, incurred prior to the commencement of commercial production, are deferred and amortized over periods of up to five years.

2. Inventories

Inventories consist of:

	1976 (in thousands)	1975 (in thousands)
Finished products	\$19,769	\$14,744
Work in process	4,502	4,497
Raw materials and supplies	48,461	39,731
	\$72,732	\$58,972

3. Sundry Assets

Particulars of sundry assets are:

	1976 (in thousands)	1975 (in thousands)
Deferred pre-production costs, less amortization	\$ 3,065	\$ 3,688
Patents and licenses, less amortization	228	250
Other items	164	290
	\$ 3,457	\$ 4,228

4. Long-Term Liabilities

Particulars of long-term liabilities are:

	1976 (in thousands)	1975 (in thousands)
First Mortgage Sinking Fund Bonds, Debentures and Mortgages at interest rates varying from 7% to 10½ %, payable in varying instalments to 1994	\$11,480	\$12,385
Bank loans, secured by marketable securities, certain shares of two subsidiaries, accounts receivable, inventories and equipment at interest rates varying from 7½ % to prime interest rate plus 2%, payable in varying instalments to 1982	16,025	18,081
Bank loans, unsecured at prime interest rate plus 1¼ %, payable in varying instalments to 1982	5,743	2,111
Deferred accounts and notes payable at interest rates varying from 5¾ % to prime plus 3%, payable in varying instalments to 1981	5,665	6,157
Loan from directors at 10½ % interest rate, payable in 1977	60	300
	38,973	39,034
Less: Instalments due within one year included in current liabilities	6,787	5,550
	\$32,186	\$33,484

The aggregate amounts of payments due in the years ending December 31, 1978, 1979, 1980 and 1981 are (in thousands) \$7,181, \$6,688, \$4,816 and \$4,496 respectively.

Notes to consolidated financial statements

Continued

5. Capital Stock

(a) Particulars of the capital stock are:

	1976 (in thousands)	1975 (in thousands)
Common shares, no par value:		
Authorized —		
24,000,000 shares of which		
12,000,000 have been designated		
as Class A and 12,000,000		
designated as Class B		
Issued and outstanding —		
Class A — 3,731,009 shares		
Class B — 5,239,614 shares		
	8,970,623	
(1975 — 8,896,418)	\$20,149	\$19,486
Preferred 6% cumulative, convertible shares, par value \$50 each:		
Authorized — 600,000		
shares of which 80,000 have		
been designated as Series A and		
120,000 designated as Series B		
Issued —		
Series A — 80,000 non-voting		
shares none of which (1975 —		
5,300 shares) are outstanding after		
exercise of conversion rights	—	265
Series B — 89,460 voting shares		
of which 80,408 shares (1975 —		
88,366 shares) are outstanding		
after exercise of conversion rights	4,020	4,418
	\$24,169	\$24,169

The Class A and Class B common shares are voting and are identical except as to dividends. In respect of dividends, the board of directors may, in declaring cash dividends on the Class B common shares, provide for payment of such dividends, firstly out of tax-paid undistributed surplus on hand, and thereafter, out of 1971 capital surplus on hand, as defined in the Income Tax Act of Canada, in which case such dividends per share declared and paid out of tax-paid undistributed surplus on hand will be less than the dividends per share declared and paid on the Class A common shares by the amount of tax paid by the Company to create tax-paid undistributed surplus on hand.

The Series B preferred shares are redeemable after November 1, 1978 at the redemption price of 106% of the par value and are convertible into fully paid and non-assessable common shares on the following bases:

- Prior to March 31, 1980 three and one-third common shares for each preferred share.
- After March 31, 1980 and prior to July 31, 1983 two and one-half common shares for each preferred share.

(b) Under a stock option plan dated May 26, 1970, as amended, providing for the issue of Class A Common Shares to key executives and employees, the following stock options are outstanding:

	Option Price			Total Options
	\$7.20	\$8.42	\$ 8.50	
Options outstanding as at January 1, 1976	7,500	5,100	61,700	74,300
Options returned to plan	—	—	(3,700)	(3,700)
Options outstanding as at December 31, 1976	7,500	5,100	58,000	70,600

During the year the Company reduced the option price of the options which had previously been issued at \$10.35 per share to \$8.50 per share. Under the plan an additional 25,600 shares (1975 — 21,900 shares) are reserved for issue.

6. Directors' and Officers' Remuneration

The number of directors of the Company was 9 (9 in 1975) and their remuneration as directors was \$4 thousand (nil in 1975). The number of officers of the Company was 5 (5 in 1975) and their remuneration as officers was \$591 thousand (1975 — \$579 thousand). The number of officers who were also directors of the Company was 5 (5 in 1975).

7. Anti-Inflation Legislation

The Company and its Canadian subsidiaries are subject to the Canadian Anti-Inflation legislation which became effective October 14, 1975. Management is not aware of any circumstances which would lead them to believe that the Company and its Canadian subsidiaries have not complied with the restrictions of the legislation.

AUDITORS' REPORT TO THE SHAREHOLDERS OF IVACO INDUSTRIES LIMITED.

We have examined the consolidated balance sheet of Ivaco Industries Limited as at December 31, 1976 and the consolidated statements of earnings, retained earnings, contributed surplus and changes in financial position for the year then ended.

For Ivaco Industries Limited and those subsidiaries of which we are the auditors, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. With respect to those subsidiaries of which we are not the auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept, for purposes of consolidation, the reports of the other auditors. In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec
March 30, 1977

TOUCHE ROSS & CO.
Chartered Accountants

The Ivaco group

Ivaco is an integrated steel and steel products manufacturer which, also, manufactures precision machined components, both heavy and light axles, and Fourdrinier fabrics for the papermaking industry.

The Company produces steel billets in electric furnaces at L'Orignal, Ontario. At its adjacent rolling mill, billets are rolled into wire rods for direct sale or for use by the Company's wire, welded wire fabric, fencing, nail, and fastener plants in Canada and the United States.

The Company has twelve major manufacturing plants, strategically located. There are nine in Canada and three in the United States.

One of the most significant strengths of the Company is its capacity for steelmaking and the rolling of high quality steel rod. In addition to reducing or eliminating dependency on outside sources for critical raw materials, these facilities allow for metallurgical and other flexibilities which make it possible for Ivaco's wire mills, wire product plants and nail and fastener factories to be unusually responsive to customer requirements. This integration of productive capacity for the purpose of providing improved standards of customer service is an important part of your Company's operating philosophy.

One characteristic common to all members of the Ivaco Group is a strong acceptance for the need of continued innovation and upgrading of automated manufacturing and quality control facilities.

The following pages provide a brief description of some of your Company's manufacturing operations along with an artist's-eye-view of the many different industrial processes in use.



Steelmaking

Rolling Mill

Wire and welded wire fabric

Your Company's continuous-cast steelmaking facility produced beyond tonnage expectations during the year and quality of product was gratifyingly high.

By April 1976, two months after the installation of a second electric furnace, the plant was running on a four shift basis. Monthly production reached 22,000 tons by the end of the year.

During the year, concentrated iron ore pellets were used, in addition to scrap iron and steel, as a basic charge for the furnaces.

Production of high quality wire rod increased substantially during 1976 as a result of the significant modifications and improvements begun in the previous year with the addition of a "no-twist" high speed finishing mill and controlled cooling lines.

During the year, a number of individual production improvements were phased in for the purpose of increased yield, decreasing waste, conserving energy and providing greater efficiency of materials handling.

Wire and welded wire fabric (steel mesh) are both large volume products of your Company. Wire is produced in five plants and steel mesh in four plants all located within the major industrial markets of Canada and the United States.

Wire is drawn in a large number of sizes, finishes, and metallurgical characteristics including high and low carbon wire.

One important specialty product is oil tempered spring wire which is manufactured at Tonawanda, New York and is used by the furniture, automotive, farm equipment and construction equipment industries, among others.

Welded wire fabric is another important product of the Ivaco Group. It is manufactured on automated high speed machines, frequently to precise tolerances, for use as the re-enforcement material in concrete pipes, buildings, and road building. It is also used extensively in mining, as a safety material.



Nails

Nails comprise a very substantial portion of Ivaco's production tonnage.

They are produced at three plants in Canada and the United States and during the year just passed, construction was begun on a fourth plant at Tonawanda, New York, which is due to begin operations in mid 1977. This fourth nail manufacturing facility significantly extends your Company's market area for nails.

Nails are produced in virtually every conceivable size and finish, and with metallurgical properties appropriate to customer demand. Galvanized, plated, heat treated and other specially treated nails are produced routinely.

Fencing

Fencing is a specialty wire product which is manufactured by your Company in two forms: woven wire fencing, and barbed wire.

Woven wire fencing is produced in a large variety of mesh sizes and heights and may be galvanized or plastic coated to improve both durability and appearance for outdoor, residential, farm, and industry use.

Fencing is an important growth product for Ivaco.

Fasteners

Your Company is a major producer of fasteners for the North American market. It has developed a number of innovative techniques for the high speed production of nuts and bolts in a complete range of sizes — from the huge nuts used to build bridges and heavy structures to the small, and highly precise, units used by the automotive and other manufacturing industries.

The Company operates what is believed to be the largest bolt-maker in the world in addition to running banks of high-speed bolt-makers that are among the fastest in the world.

Large scale warehouse capacity is maintained for the purpose of providing a high level of customer service through consistent and quick deliveries.



Precision machined components and axles

Fourdrinier fabric

This highly specialized division of your Company manufactures axles for trucks and trailers, axles and suspension systems for light vehicles, and precision machined components for use by the automotive, heavy construction equipment, farm machine, marine and defense industries. The manufacture of these products requires sophisticated machining technology including numerical control machines and highly skilled operators. Machined parts and complete components are produced in medium and high volume ranges. Among the products manufactured are drive train parts, automotive steering gears, pumps, etc. Heavy duty axles are sold to manufacturers of highway trucks and trailers; light axles, including the patented Rub-R-Ride and Sup-R-Ride, are used by leading manufacturers of recreational vehicles, including light trailers and snowmobiles.

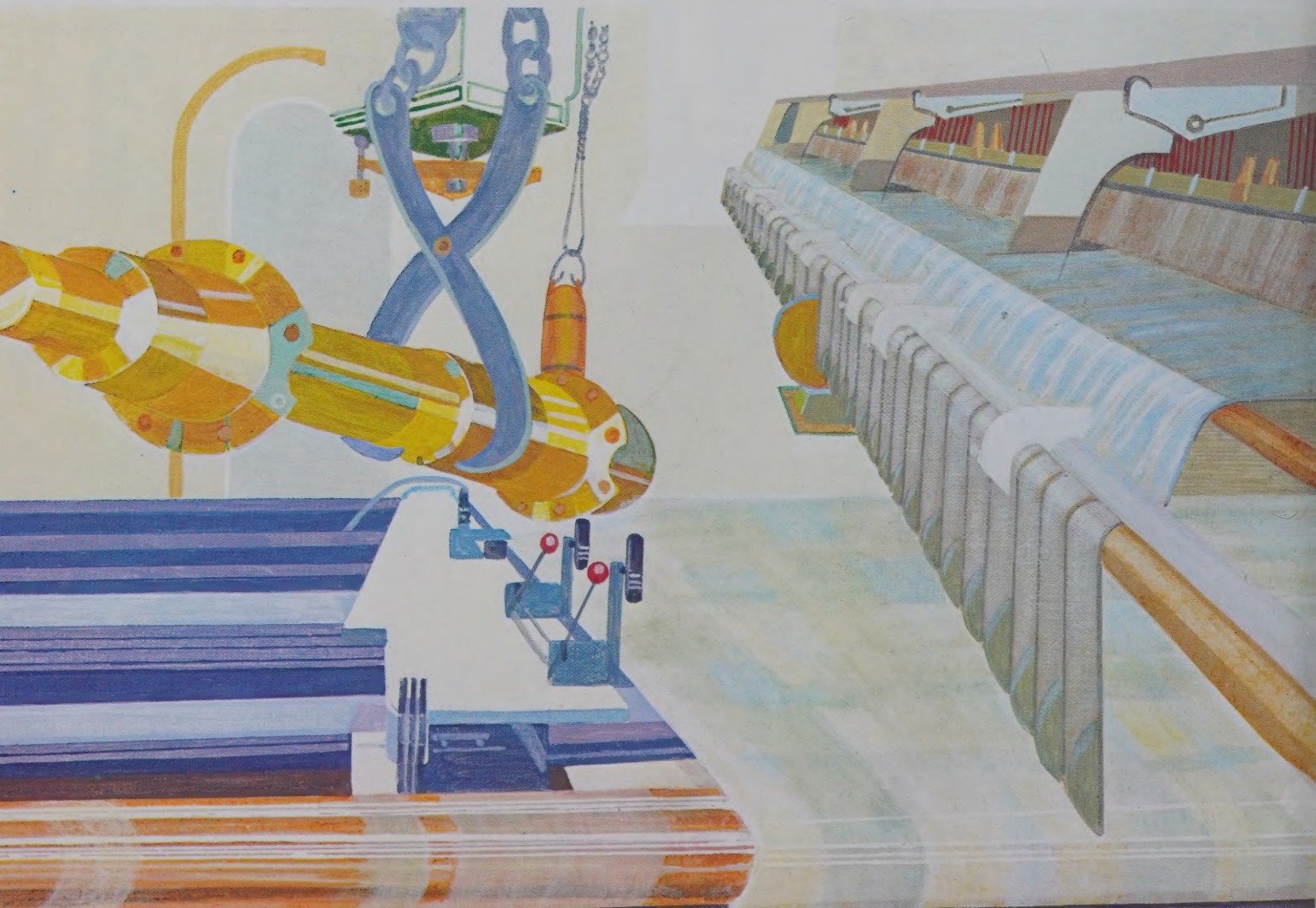
During 1976 your Company's Fourdrinier fabric division successfully introduced important modifications of both weave and mesh designs for Fourdrinier fabric. This patented Polyflo (R) product has been well accepted by the papermaking industry and in some instances has achieved new records for lifespan.

Your Company's Fourdrinier division has been a research and production leader toward the development of improved synthetic Fourdrinier fabrics.

Fourdrinier fabric, whether woven with monofilament synthetic fibres or the traditional metallic wires, is one of the most critical components of a high speed paper machine. Its function is to provide taut support on which the pulp and

water mixture rests during the initial stage of paper manufacture. Its mesh must have consistent properties throughout the fabric to allow for equal drainage during the paper sheet-forming process. The fabric may range in size from 600 square feet to 7,000 square feet and from 50' to 213' in length, depending on the paper manufacturer's specific paper-producing equipment.

This division has designed and built 90% of its fabric-producing machinery. Consequently it has developed the capacity to manufacture fabric for any size of Fourdrinier machine in the world. This flexibility is an important element for customer service and the provision for continuing leadership in the industry.



Manufacturing Plants

Eastern Steelcasting
Industrial Fasteners Ltd.
Infatool Ltd.
Ingersoll Fasteners
Ingersoll Machine and Tool Company Ltd.
Ivaco Rolling Mills
New York Wire Mills Corp.
Niagara Wires Inc.
Quebec Wires Ltd.
Sivaco Wire & Nail Company
Sivaco Maritimes Ltd.
Sivaco Ontario Ltd.
Virginia Wire and Fabric

L'Orignal, Ontario
Marieville, Quebec
Ingersoll, Ontario
Ingersoll, Ontario
Ingersoll, Ontario
L'Orignal, Ontario
Tonawanda, N.Y.
Quincy, Florida
Trois-Rivières, Quebec
Marieville, Quebec
Dartmouth, Nova Scotia
Ingersoll, Ontario
Warrenton, Virginia

Warehouse and Sales Offices

St. John's, Newfoundland
Moncton, New Brunswick
Toronto, Ontario
Ingersoll, Ontario
Winnipeg, Manitoba
Calgary, Alberta
Edmonton, Alberta
Vancouver (Burnaby), British Columbia

HEAD OFFICE:

800 Ouellette Street, Marieville, Quebec

TRANSFER AGENT AND REGISTRAR:

The Royal Trust Company in Montreal, Toronto,
Calgary, Vancouver and Halifax

AUDITORS:

Touche Ross & Co., Montreal, Quebec

SHARES LISTED:

Montreal Stock Exchange
Toronto Stock Exchange

Si vous désirez recevoir un exemplaire
français de ce rapport veuillez en
aviser le Secrétaire de la Compagnie
en écrivant à Les Industries Ivaco Limitée,
800 rue Ouellette, Marieville, Québec.

The Annual Meeting of the Company
will be held on May 27, 1977 at 10.00 a.m.
at Le Salon Viger of the
Chateau Champlain Hotel,
Montreal, Quebec.

